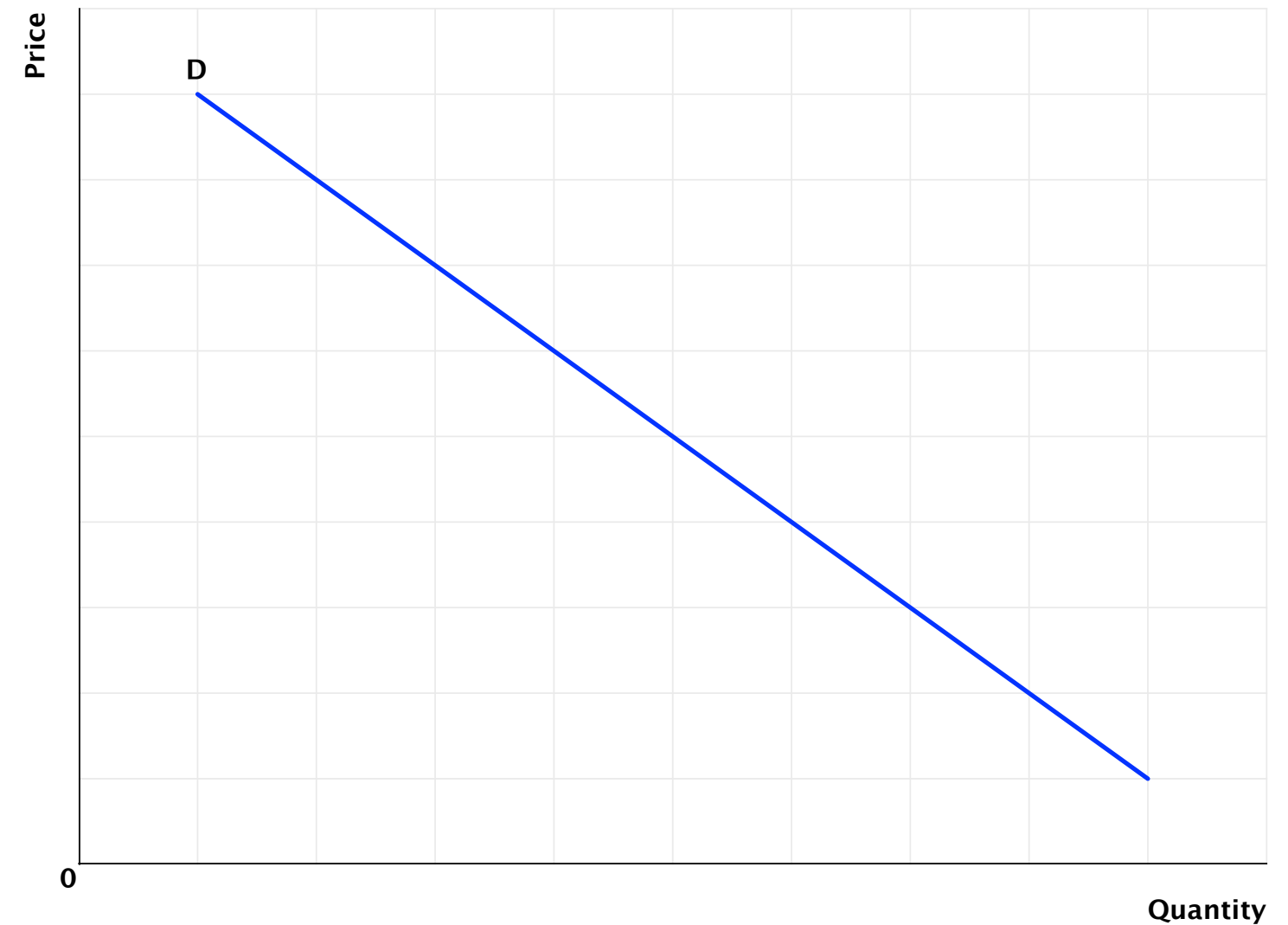


# Demand

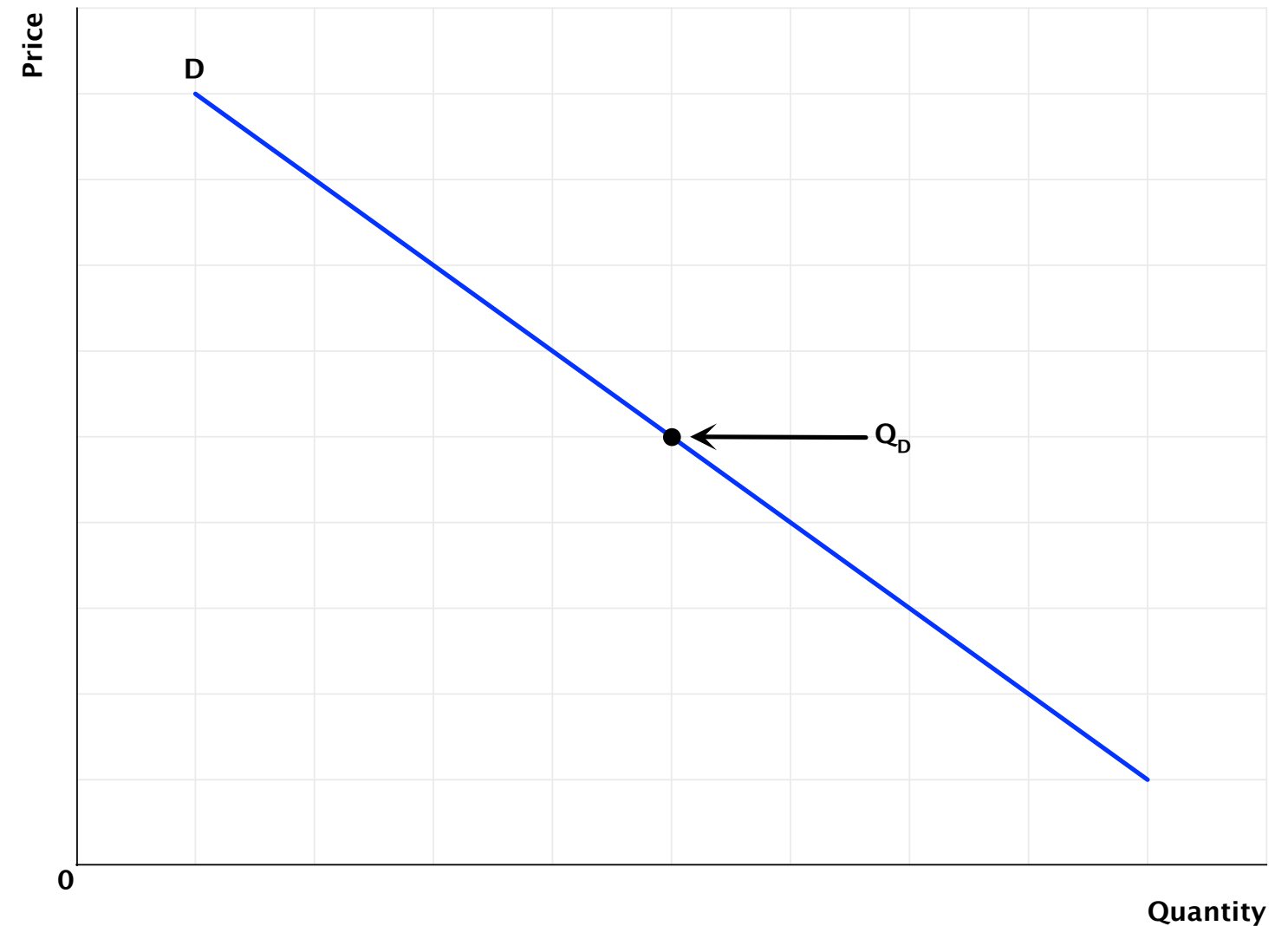
Change in Demand

- **Demand** relates to consumers (the people buying stuff).

- **Demand Curve:** a graph showing how the quantity of a good or service demanded changes with a change in price.
- How many people are willing and able to buy at all the different prices.



- **Quantity Demanded:** the amount of a good or service that consumers are willing and able to buy at a given price.
- $Q_D$  is one point on a Demand Curve.
- How many people are willing and able to buy at one specific price.



- **Law of Demand:** generally, the quantity demanded decreases as price increases (negative relationship).
- Generally speaking, people are willing and able to buy more stuff when the price goes down (and vice versa).

- **Determinants of Demand:** non-price factors that influence the demand for a product.

- **Income:** the amount of money that a person makes.
- Ex: If your income triples, your demand for movies increases. If your income is cut in half, your demand for movies decreases.

- **Tastes:** what products people like – this includes fads, trends, and what’s “cool”
  - Ex: If the latest dance craze is disco, the demand for disco CDs increases. If disco is out, the demand for disco CDs decreases.



- **Substitute:** a good or service that can easily replace another good or service
- Ex: If the price of Pepsi increases, the demand for Coke increases. If the price of Pepsi decreases, the demand for Coke decreases.

- **Complement:** a good or service that is generally used with another good or service
  - Ex: If the price of bread increases, the demand for butter decreases. If the price of bread decreases, the demand for butter increases.

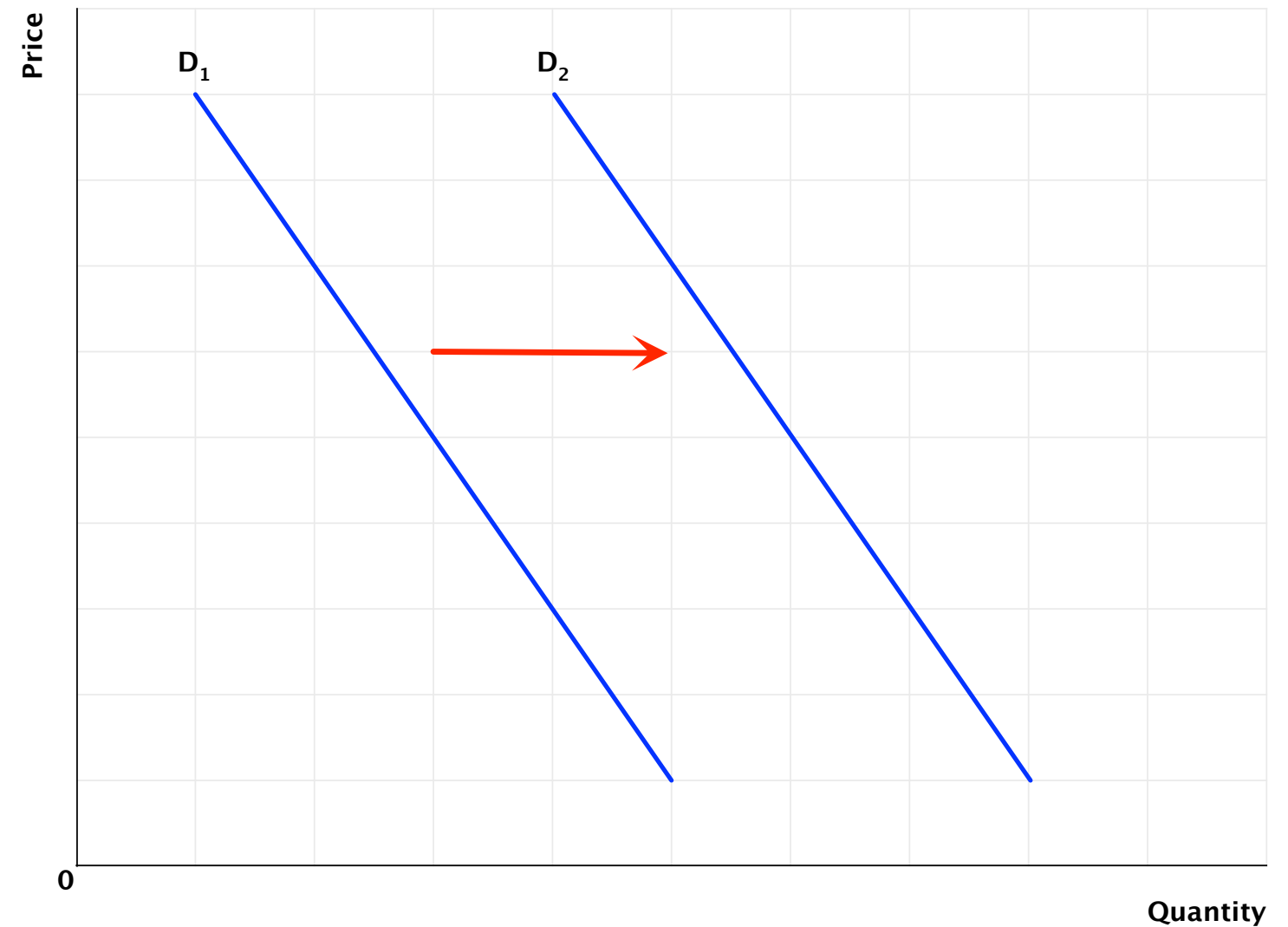
- **Expectations:** what people think about the future
  - Ex: If you expect to be shot before you're 21, your demand for fun increases. If you expect to live for 1,000 years, your demand for vacation days decreases.

- **Number of Consumers:** the number of people willing and able to consume the product
- Ex: If the class doubles in size, the demand for desks increases. If the class drops to two people, the demand for pencils decreases.

- A change in demand (or shift in demand) means that the entire demand curve moves – caused by non-price factors.
- Do not confuse with a change in quantity demanded (movement along the demand curve)!

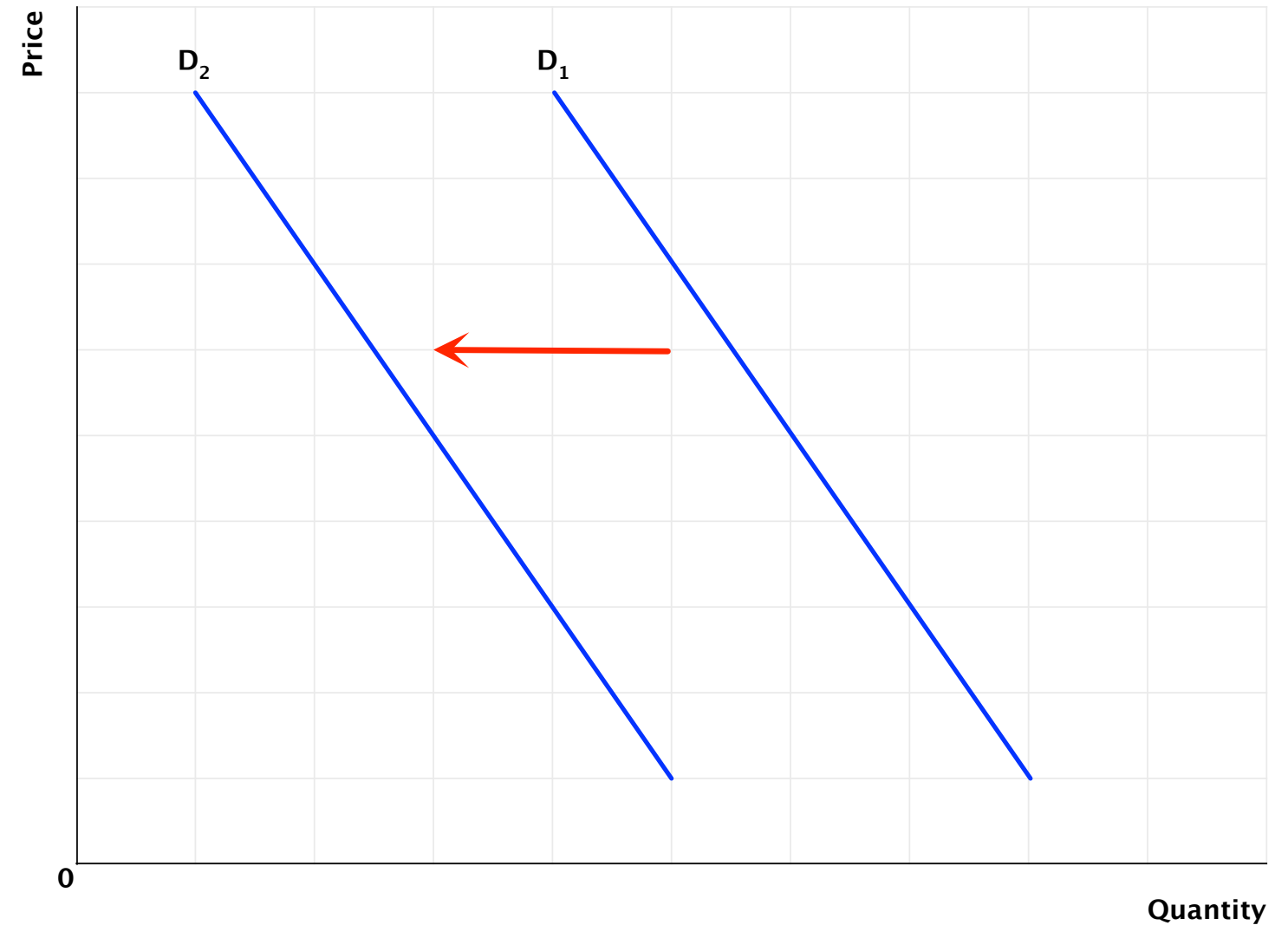
- **Increase in Demand**

- The demand curve moves to the right.
- People want more at each and every price.



- **Decrease in Demand**

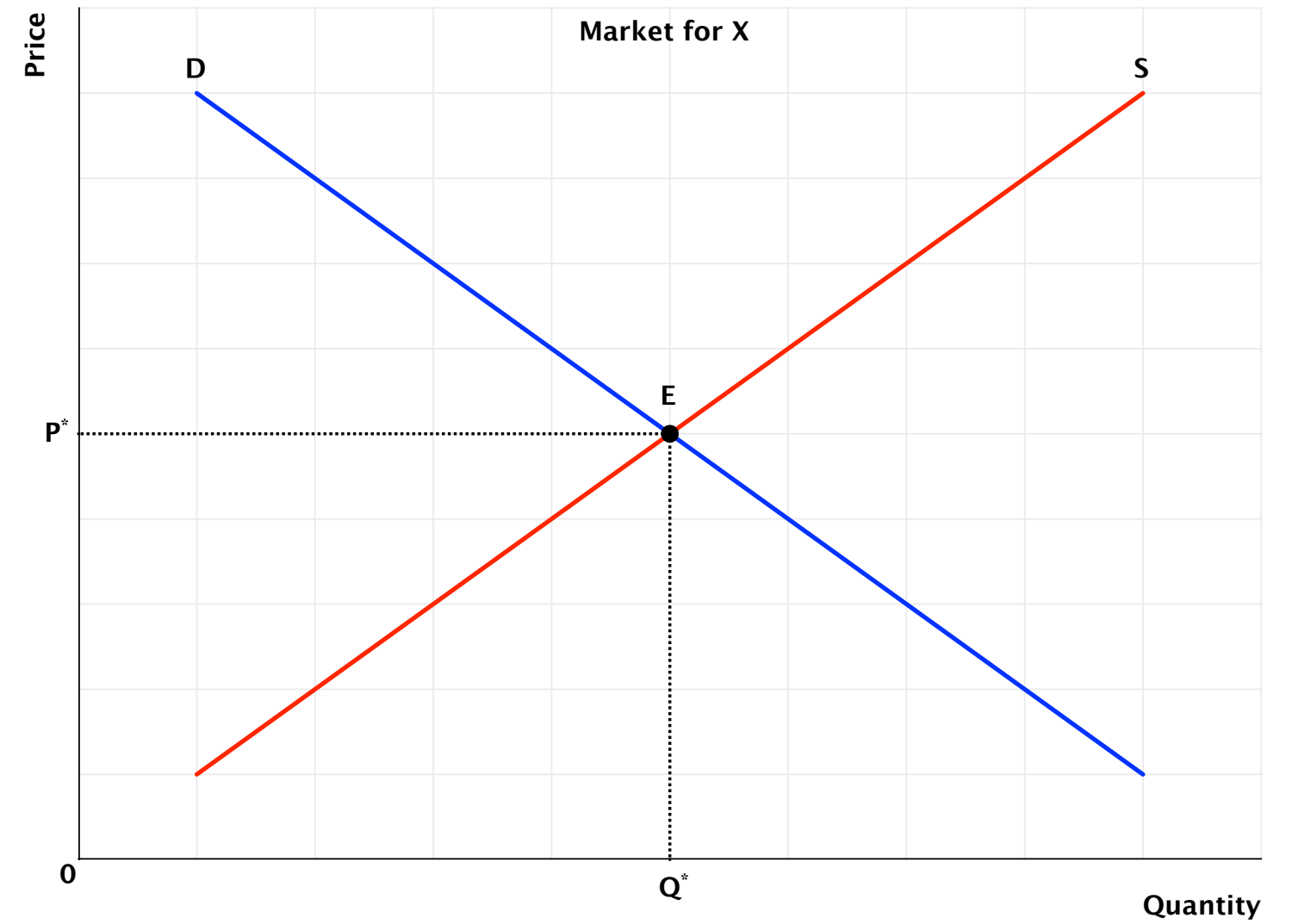
- The demand curve moves to the left.
- People want less at each and every price.



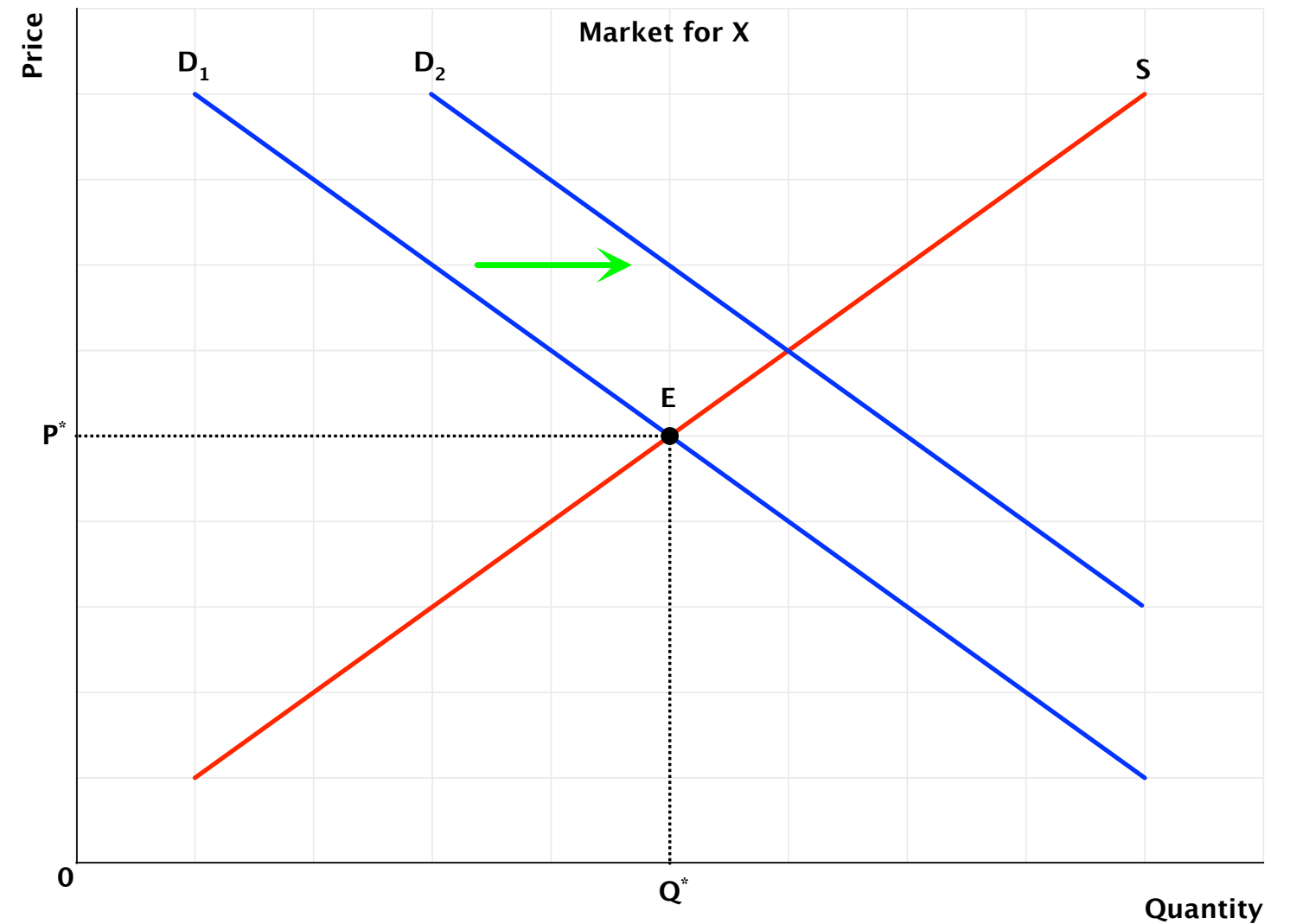
- How a change in demand affect equilibrium price and equilibrium quantity?



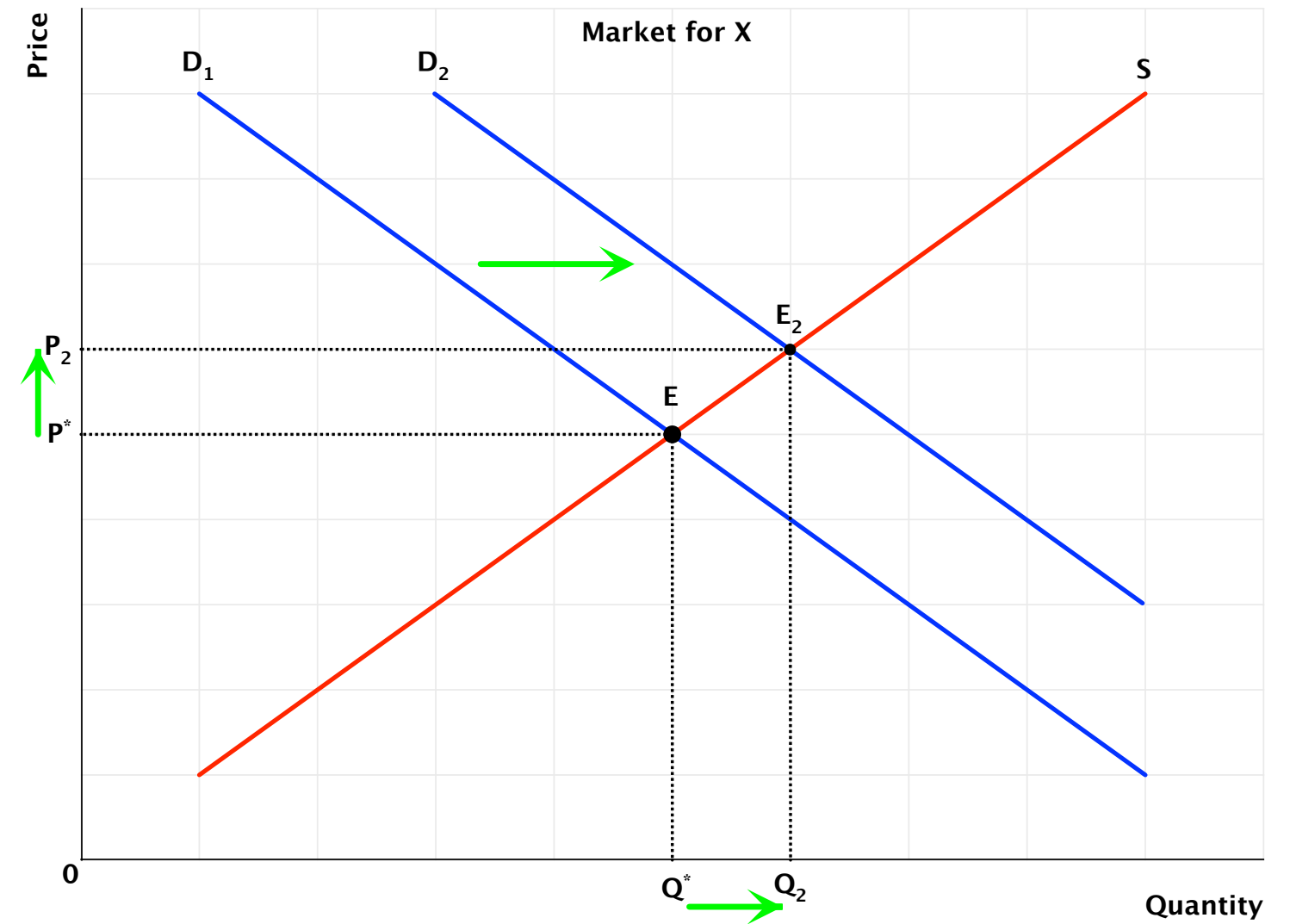
- Here's a market in equilibrium.



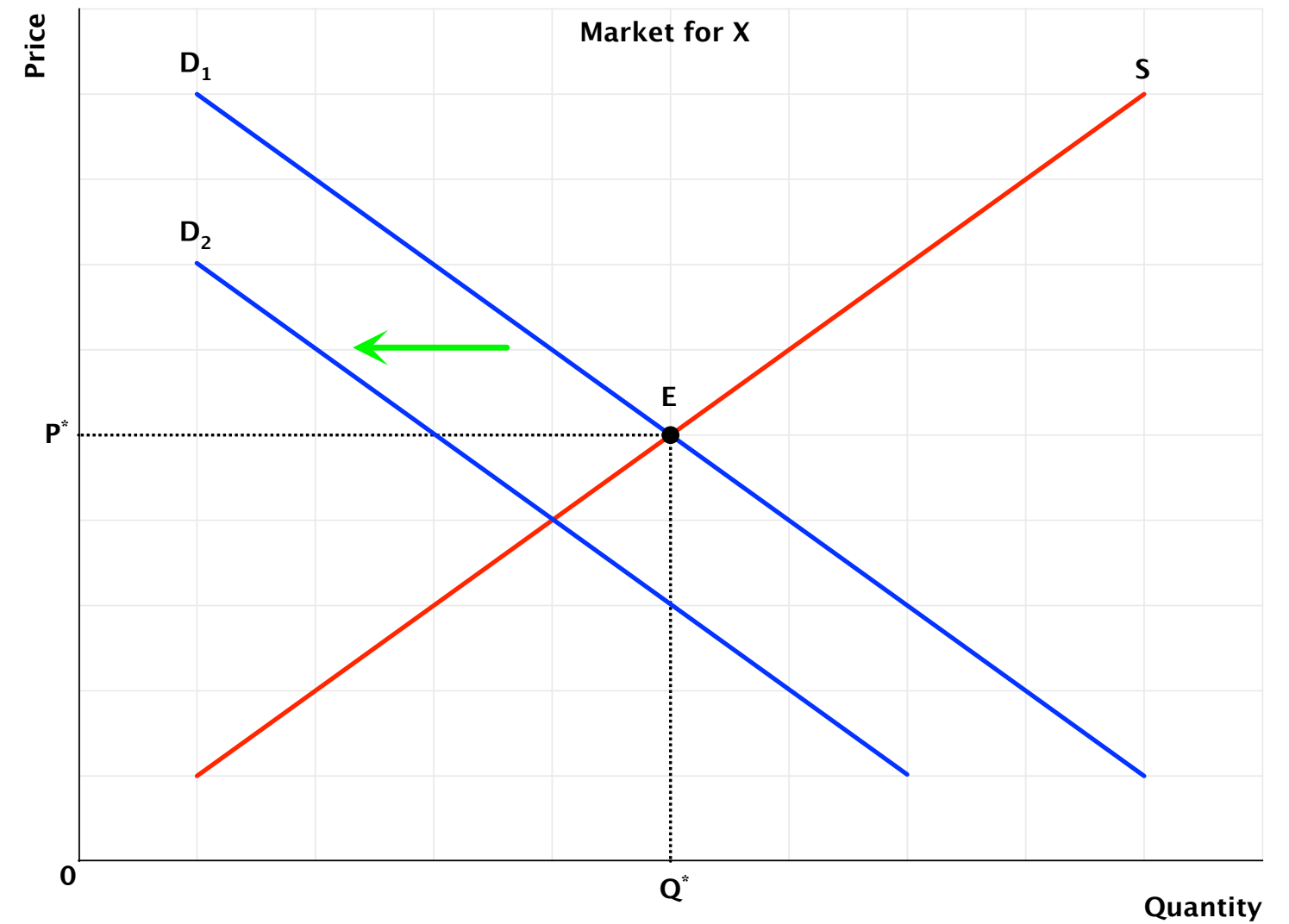
- Now let's increase demand.
- What happens to equilibrium price and equilibrium quantity?



- Equilibrium price increases, and equilibrium quantity increases.



- Now let's decrease demand.
- What happens to equilibrium price and equilibrium quantity?



- Equilibrium price decreases, and equilibrium quantity decreases.

